

HOUSE BILL NO. 248

INTRODUCED BY J. TROPILA, E. CLARK, GALVIN-HALCRO, GILLAN, LENHART, SHEA, WITT, STORY

A BILL FOR AN ACT ENTITLED: "AN ACT CREATING AN INTERIM TAX REFORM STUDY COMMITTEE; PROVIDING AN APPROPRIATION; AND PROVIDING EFFECTIVE DATES."

WHEREAS, the expressed goals of the people of Montana are to expand and diversify the economy of the state; and

WHEREAS, the Montana economy will expand by developing new industries and businesses as well as by fostering existing industries and businesses; and

WHEREAS, national reports on Montana's lagging economic performance and poor business climate have encouraged the perception that Montana's tax structure, among other things, impedes economic development and diversity; and

WHEREAS, the 56th Legislature worked to enhance the state's economic performance through property tax reform, other tax incentives, and economic development programs; and

WHEREAS, a principal element of economic growth and development is tax fairness, simplicity, and reform; and

WHEREAS, proponents of tax reform have not achieved consensus on the elements of realistic general tax reform; and

WHEREAS, consensus is indispensable in achieving any meaningful tax reform.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. Section 1. Tax reform study committee. (1) There is an interim tax reform study committee composed of 16 members. The members must include:

(a) two members from the house of representatives, one from each party, appointed by the speaker of the house;

(b) two members from the senate, one from each party, appointed by the senate committee on committees;

(c) the following members appointed by the governor:

- 1 (i) one economist specializing in tax policy issues;
2 (ii) one representative of certified public accountants;
3 (iii) two representatives of labor, one of whom must be a member of organized labor;
4 (iv) one representative of small business;
5 (v) one representative of large industry;
6 (vi) one representative of agriculture;
7 (vii) one representative of counties;
8 (viii) one representative of cities and towns;
9 (ix) one representative of a low-income group; and
10 (x) two representatives of the executive branch.
11 (2) Tax reform study committee members must be appointed by July 1, 2001.
12 (3) In case of a vacancy, a replacement must be selected in the manner of the original
13 appointment.
14 (4) The legislative services division, legislative fiscal division, and appropriate state agencies shall
15 provide staff assistance as requested by the committee.
16 (5) (a) The members of the committee shall select a presiding officer and may appoint other
17 officers as considered necessary.
18 (b) The committee may adopt rules of procedure for conducting meetings.
19 (6) The purpose of the committee is to conduct a comprehensive examination of taxation in
20 Montana. The committee shall:
21 (a) develop an inventory of taxes imposed at the state and local level, including but not limited to:
22 (i) the taxation of property;
23 (ii) the taxation of income;
24 (iii) excise and use taxes; and
25 (iv) taxation of natural resource production, including energy production and transmission;
26 (b) provide analyses that evaluate existing taxes in terms of:
27 (i) their adequacy, efficiency, burden or incidence, fairness, and effect on economic behavior,
28 including their effect on individual and business decisions and the ability to export; and
29 (ii) costs of administration and compliance; ~~and~~
30 (C) EXAMINE TAX EXPENDITURES TO ASSESS THE ONGOING MERIT OF EACH EXPENDITURE; AND

(d) examine alternative methods of taxation from existing sources, as well as new sources of revenue, and evaluate the alternative methods and new sources according to the criteria described in subsection (6)(b).

(7) Based on the analyses conducted under subsection (6), the committee shall submit a written report to the governor and the legislature not later than November 1, 2002, that must include options, if options are considered necessary, and proposed bill drafts necessary to implement any proposals to provide a balanced and integrated tax structure for the state.

(8) The committee shall solicit the knowledge and advice of economists, tax policy experts, representatives of taxpayer groups, local governments, small business organizations, large industry, agriculture, and economic and business development organizations.

(9) (a) Except as provided in subsection (9)(b), members of the committee must be reimbursed in accordance with 2-18-501 through 2-18-503 for actual and necessary expenses incurred in attending meetings or conducting committee business.

(b) Legislators serving on the committees must be reimbursed and compensated as provided for in 5-2-302 for actual and necessary expenses incurred in attending meetings or conducting committee business.

NEW SECTION. **Section 2. Appropriation.** There is appropriated \$45,000 from the general fund to the legislative services division for the biennium beginning July 1, 2001, for the operating expenses and personnel expenses of the committee created in [section 1].

NEW SECTION. **Section 3. Effective dates.** (1) [Section 1 and this section] are effective on passage and approval.

(2) [Section 2] is effective July 1, 2001.

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